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WHAT MEANING REALLY MEANS
Michael Lerner
The Politics of Meaning: Restoring Hope and Possibility in an Age of Cynicism 5

HOW HIGH THE COURT?
William J. Quirk and R. Randall Bridwell
Judicial Dictatorship 10

ONE MAN, ONE CREED
Clint Bolick
The Affirmative Action Fraud 13

WHAT REMAINS OF SOCIALISM?
N. Scott Arnold
The Philosophy and Economics of Market Socialism: A Critical Study 18

NO WISER WITH AGE
John Kenneth Galbraith
The Good Society: The Humane Agenda 23

Economists Try the Vision Thing

THE CRISIS OF VISION IN MODERN ECONOMIC THOUGHT
Robert Heilbroner and William Milberg
Cambridge University Press, 1995, ix + 133 pgs.

A familiar Austrian criticism of mainstream neoclassical economics is that it lacks touch with reality. Rather than explain human action through commonsense knowledge, modern economics has become a branch of applied mathematics. The true test of an economic theory should not be its mathematical elegance, but its ability to convey an understanding of the phenomena of the market.

Those who find this line of thought persuasive may be at first inclined to welcome Heilbroner's and Milberg's erudite survey of current economics. They adopt wholeheartedly the Austrian criticism (or so it seems): The "mark of modern-day economics is its extraordinary indifference to this problem [of how theory relates to reality]. At its peaks, the high theorizing of the present period attains a degree of unreality that can be matched only by medieval scholasticism" (pp. 3–4). This is unfair to medieval philosophy, but in the present context it is a forgivable failing.

A QUARTERLY REVIEW OF BOOKS, BY DAVID GORDON

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But beware of New School economists bearing gifts. Our authors do not share the Austrian quest for an accurate grasp of economic reality. Instead, they wish to foist on us a social constructivist view in which economists do not come to know the world but devise models to alter it.

Though they do not quote Marx's famous thesis, its spirit permeates their work: "Philosophers have only interpreted the world; the point however is to change it." And how should it be changed? Heilbroner and Milberg operate with a combination of ultra-Keynesian economics and a Marxist view of the nature of capitalism: they accordingly wish for a thoroughly state-controlled economy. The free market is the enemy.

Economics since Keynes, our authors contend, lacks vision. "By vision we mean the political hopes and fears, social stereotypes, and value judgments, all unarticulated . . . that infuse all social thought, not through their illegal entry into an otherwise pristine realm, but as psychological, perhaps existential, necessities" (p. 4).

In the absence of vision, economics cannot have a "consensual center," a text that represents the thought of most economists. Paul Samuelson's *Principles of Economics*, they hold, occupied this position in the period of Keynesian dominance; but nothing has since replaced it (p. 31). A state of affairs with a center they term a "classical situation."

A problem with this view at once arises. On their characterization of vision, how can any economist, even a New Classical theorist, fail to have a "vision"? Surely Robert Lucas and the members of his school, whose influence our authors so deplore, have "political hopes and fears, social stereotypes, and value judgments." These economists may try to insulate their theories from their vision, but if Heilbroner and Milberg are right, they will not succeed. What, then, does the claim that contemporary economists lack vision amount to?

The answer is only too obvious. Good economics, to them, is theory that rests on their own ideological commitments. Keynes had a vision of the requisite kind because he favored the strong hand of the state in the economy. He geared his economic theory constantly to the political intervention he favored.

By contrast, Keynes's New Classical successors endeavor to separate analysis from political action. They even, *horribile dictu*, question the

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efficacy of state intervention. Such nonsense denies the benefits of the New Deal and thus cannot be seriously maintained. And their New Keynesian critics are little better. They too accept the divorce of economics and politics.

I suspect that readers will take the preceding paragraph as a caricature, but unfortunately it is not. Keynes they admire because he abandoned marginalist analysis. Keynes's conceptual shift, they claim, entailed "the abandonment of the micro-maximization that provides the fundamental basis for marginalist analysis." There is "a shift from an individual-centered to a group-centered standard of behavior" (p. 32).

And what is so good about that? Precisely that it offers a basis for the government to intervene. If we emphasize groups instead of individuals, we will secure "a concept of economic action . . . for which no lawlike explanation is available" (p. 33). As Murray Rothbard would have said: "What? This is supposed to be an *advantage* of Keynesianism?"

Readers of Mises's *Omnipotent Government* will recognize a familiar pattern. The members of the German Historical School could not tolerate the view that objective laws of economics exist. If there were such laws, then the centrally controlled economy favored by Schmoller, Wagner, Sombart, *et hoc genus omne* would lead to economic ruin. But this cannot be true: therefore, there are no economic laws. Who could quarrel with so obvious an argument?

It is no coincidence, I suggest, that the book's senior author was a disciple of a minor member of the German Historical School, Adolph Lowe, long ensconced at the New School. Lowe figures briefly but centrally in the book: "Given the strategic importance of government policy whose intent is to counter the 'natural' course of events, the conventional predictive orientation of economics must change to what Adolph Lowe has called an 'instrumental'—that is, means-ends directed purpose" (p. 125). It is apparent that Professor Heilbroner has been an apt pupil.

A perverse theory of knowledge: there is no objective truth, so let's do whatever suits our policy purposes.

Given the authors' fervent commitment to *dirigisme*, you might anticipate that the Austrian School is in for some rough handling. If you thought that, you would be wrong: the Austrians are not discussed at all. (Hayek and Böhm-Bawerk, whose name is misspelled, are mentioned in passing, but neither name appears in the index.) The chief villains, as mentioned before, are the New Classicals.

I do not think that Lucas and his colleagues will be much troubled by Heilbroner's and Milberg's criticisms of them. Once more, their perverse theory of knowledge—there is no objective

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truth, so let's do whatever suits our policy purposes—rears its ugly head.

They discuss a dispute between Lucas and Alan Blinder about the Phillips curve. The argument rests, they claim, on the different conceptions of economics held by the two economists. "For Lucas, the distinctive attribute of economics lies in its 'scientific' foundation in rational individual choice. Accordingly, the obligation of the economist is to pursue the logic of this foundation. For Blinder, realism and historical adaptability of the framework are more important than strict adherence to ontological principle" (p. 55). (By "realism" they mean usefulness for policy.)

Our authors reject classical realism because they think the world is in itself an unknowable chaos: we are free to shape it as we wish.

Our authors tell us on the following page: "In this conflict of opinions there does not seem to be any objective basis for determining which verdict is the appropriate one." Their statement is consistent with their own nihilistic theory of knowledge, but readers will have no trouble surmising their preference in the dispute.

Those old-fashioned enough to adhere to a realist theory of knowledge will at this point raise an obvious objection: unless we have accurate knowledge of reality, how can we achieve any policy goals? If we do not know the world, we cannot change it. I was at first puzzled how Heilbroner and Milberg, both without doubt learned and intelligent scholars, could miss so apparent a point. If a hermeneutician had not grasped it, all right: but reputable economists!

But the book contains a most remarkable passage that explains why the need to grasp reality does not much figure in their thought: "[O]ur purpose is to set the stage for examining more carefully the nature of all heuristics, which is to say, of all construals of the 'chaos' of raw reality—William James's famous 'buzzing, blooming confusion' of uncategorized nature" (p. 75).

Now the (cat)egory is out of the bag! Our authors reject classical realism because they think the world is in itself an unknowable chaos: we are free to shape it as we wish. This is not the place to analyze this view of the world. I shall say only that it seems to me not only mistaken but deeply immoral. Perhaps one may leave it to the Randians for refutation: even they have their uses. (Incidentally, the authors misquote James and invert the order of his words: he wrote "*boom*ing, buzzing confusion.")

If contemporary economics is in such bad shape, what is to be done? Naturally, one must return to the macro perspective of Keynes. Away with marginalism; let uncertainty reign! But this is not enough: a

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strong dose of Marx is required as well. Economists ought to adopt his fundamental insight that the capitalist system rests on the blind drive to accumulate capital:

"[C]apital takes on a protean and dynamic form as its owners use it to buy such common objects as cloth and labor power, which are then combined to create commodities offered for sale for more than they cost. This process takes place not once, but again and again, in pursuit of the end of increasing its value. Here we have Marx's famous circuit M-C-M′, a self-expanding process . . . that infuses capital with life" (p. 106). I hope no one will object that Marxism has been refuted. That is a question of reality; and for our authors, "what is that to us?"[1]

[1]Heilbroner's predilection for bizarre theories has been present throughout his long career. One of his early articles claimed that Shakespeare's plays were written by Christopher Marlowe. ❖

What Meaning Really Means

THE POLITICS OF MEANING: RESTORING HOPE AND POSSIBILITY IN AN AGE OF CYNICISM
Michael Lerner
Addison-Wesley Publishing Co., 1996, xi + 355 pgs.

Michael Lerner fears ridicule, with good reason. His "politics of meaning" is a farrago of nonsense, one absurd assertion tumbling over another. But we dare not laugh too much: this man is dangerous. Hillary Clinton takes him seriously.

Of that fact there can be little doubt. In a speech delivered on April 6, 1993, Hillary sounded just like him. Lerner reprints a long passage from her talk (pp. 311–12), with extravagant praise.

It was, he avers, "an extraordinary speech." Here "was the president's wife willing to challenge the market itself" (p. 312). Readers will have no difficulty seeing why her remarks induce palpitations in our prophet of spiritual renewal. The brand of tripe being peddled in the talk could only have come from one person: Lerner is praising himself.

The speech drew national attention to Lerner, and stories about him appeared in *The New Republic*, *The New York Times Magazine*, and other scientific periodicals. Hillary quickly distanced herself from her alleged guru, and Lerner now criticizes the Clintons for a retreat to the "old politics." But I strongly suspect that we have not heard the last of Lerner's influence at the White House.

As I write, President Clinton has proposed that high school students receive national awards for "community service," a suggestion that might have come straight out of *The Politics of Meaning*. "Honors awards

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at graduations from such schools should be based on moral achievement. The primary focus of ceremonies should go to these who, regardless of academic competence in other areas, have shown themselves most capable of sensitivity, caring for others, and commitment to the common good" (p. 273). Lerner's views merit scrutiny, though clearly not on grounds of their intrinsic value.

Our author begins from a question: why are people's lives full of pain and experienced as meaningless? (Lerner has principally, though not entirely, in mind middle-class Americans.) Before assessing Lerner's response, we need to ask a question of our own: Do most Americans in fact experience life as painful and meaningless? To say that they do is a rather large claim, one would have thought; and one wonders what evidence Lerner will supply for his sad news.

I fear that we must wait in vain: Lerner offers nothing whatever to document his gloomy view of American life. He does at one point refer to the experiences of "thousands of people" at a Stress Clinic in Oakland, California, in which he worked in the 1970s. Unfortunately, he presents no data on these people. It of course would be asking too much for an argument that the group is a representative sample of the public. Did it ever occur to Lerner that those who check themselves into a Stress Clinic may not be typical?

Regardless of whether Lerner's problem is real, he clearly believes that it is. What, then, is his solution? How has paradise been lost, and how may it be regained? People, in his view, have become alienated from the spiritual energy that pervades the universe. We have become selfish, concentrating only on our own material wants, or, at best, the needs of our families. We lack the recognition from others that we need to cure our pain.

But, once more, our question returns: what is the source of pain and suffering, and all our woe? It is (surprise!) the free market, especially powerful corporations that act selfishly. "[T]he ethos of selfishness sanctified by market-dominated societies soon yields deep unhappiness" (p. 60).

When I read the book, I at first did not understand very well what Lerner means by "meaning." He obviously wants people to change their thought and behavior in some fundamental way, but what is it? He gives the game away, I think, with a reference to the "brilliant account" of the rise of fascism in Germany by Wilhelm Reich (p. 77; see also pp. x, 88, and *Jewish Renewal* [New York: Harper Perennial, 1994] p. 194). It is Reich, I suggest, who provides the key to Lerner's thought; and a brief digression on him will prove useful.

Reich studied psychoanalysis with Freud but was expelled from the guild because his ideas were judged heretical by the Master. Reich endeavored to combine psychoanalysis with Marxism, and founded an Institute for Sexual Politics in Berlin. After a sojourn in Norway, he

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wound up in the United States, where he continued his work. Among other discoveries, he claimed to have found a cure for cancer, the "orgone energy box." The FDA did not find Reich's radical research impressive, and he died while serving a term in a federal penitentiary. I venture to suggest that a long rest cure would have been a better solution.

Reich's basic idea was that the universe is pervaded by "orgone energy," a force, unknown to conventional physics, that emits a blue light in suitable circumstances. Happiness depends on contact with this force: the chief means to secure this is sexual satisfaction.

Adam Smith did not think that people ought to act selfishly: his point is rather that the market does not depend on benevolence in order to function.

In *The Mass Psychology of Fascism*, the book that Lerner terms "a brilliant account," Reich explains the rise of Hitler by means of this revolutionary theory. The Germans, owing to their rigid "character armor," were unable to have satisfactory sex. They were hence unable to be united with orgone energy; in rage and despair, they turned to Hitler. As the proverb has it, *difficile est satiram non scribere.*

I hasten to add that Lerner is not an orthodox Reichian. He thinks that Reich held too materialistic a view of "spiritual energy." Essentially, Lerner's system is a redescription of Reich's view in ostensibly spiritual terms. Instead of saying that rigid character armor blocks satisfactory sex, Lerner says that repression and selfishness block our connection with spiritual energy. Though Reich was, if anything, loonier than Lerner, his system is much more intelligible and enables us readily to grasp what Lerner is about.

If Lerner's metaphysics is a prettified Reichianism, his economics is vulgar Marxism, once again in pseudo-spiritual language. According to our author, the "merchants, traders, shopkeepers, bankers, and independent professionals of the social middle class" (p. 35) led a revolt that began about four hundred years ago against the "patriarchal system" dominated by the Roman Catholic Church.

"The new emerging middle classes," he says, "jettisoned the language of spirituality and ethics—and replaced it with a new theory of reality and a new theory of knowledge." Why did the empiricist view catch on? "It responded to people's anger toward feudal and religious systems that had been using spirituality and moral judgments to subjugate them" (p. 36).

Readers will have no difficulty in seeing the underlying Marxist framework here—the class struggle that replaced feudalism with

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capitalism. What Lerner has added to that framework is hardly an improvement. He can be excused for thinking that the scholastic doctrine of "fair price" impeded the growth of a market economy. To realize the error here, he would have had to be conversant with the history of economic thought; and his efforts to commune with the spiritual energy of the universe can hardly have left him time to pursue this inquiry.

For Lerner, the free enterprise economy is close to pure evil.

But why does he think that traders and merchants rejected religion? When did they do this? And why does he think that empiricism is an anti-religious philosophy? The thought of John Locke, the founder of British empiricism, is suffused with Christianity. It does not reflect favorably on American higher education that Lerner holds a doctorate in philosophy.

The bourgeoisie, successful in its revolution, installed an economic system that "unashamedly adheres to eighteenth-century philosopher Adam Smith's view that our collective well-being is best served when everyone pursues his or her own narrow self-interest without regard to the well-being of others" (p. 43).

Of course Lerner has got Smith completely wrong. Smith did not think that people ought to act selfishly: his point is rather that the market does not *depend* on benevolence in order to function. Smith's own ethics has sympathy for others as a fundamental principle.

Incidentally, Lerner manages to get Marxism wrong also. He claims that "the Marxists and other leftists who attacked the absence of social justice in the bourgeois world nevertheless bought into its [empiricist] epistemology and ontology" (p. 38). Mistaken as usual: Marx rejected the language of justice and rights and was not an empiricist.

However bizarre his history, Lerner of course is right that a capitalist economy somehow arrived on the scene. For Lerner, the free enterprise economy is close to pure evil. (He at one point has the gall to tell us that he is "agnostic" about capitalism; but what he there has in mind is a "market" under the control of his agents of sweetness and light [pp. 233–36].) Exactly what does he have against it?

Almost all of his comments on the market are fustian and rodomontade, but even Homer nods: at one point he actually offers an argument against the market. He raises three criticisms of the free market, two of which have some interest. (The remaining one is the familiar Galbraithian complaint, long ago demolished by Hayek in a brilliant essay, that corporations create the needs their products satisfy [p. 133].)

Lerner disputes the claim of market proponents that a free economy

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responds to the needs of consumers. Since businesses aim at profit, consumers in effect cast "dollar votes" for the products they want. Against this, Lerner directs two criticisms: "[S]ince dollars are not equally distributed" the market "reflects the wishes of people unequally, depending on how much disposable cash they have available." Further, "the corporate argument is false because the market has no mechanism for registering desires by a majority that a certain kind of product or process *not* be produced, as long as there is a small minority that wishes to purchase it" (p. 133).

Lerner's second point in effect answers his first. Precisely because the market is not a system in which a product must obtain a majority of "votes" in order to be produced, the fact that some have more money than others has little force. Even minorities can get their way, exactly as he recognizes in his second criticism.

And he is mistaken that the poor must have fewer votes than the rich. As Mises noted, the poor outnumber the rich: even though any rich person has more resources than any poor person, it does not follow that "the rich" can outvote "the poor." Mises rightly called capitalism a system of "mass production for the masses."

Lerner's claim that the majority cannot on the market prevent an item desired by a minority from being produced is, then, precisely right. But why does he take this to be grounds for criticism? Why should a majority (of people? "votes"?) be able to block others from obtaining satisfaction? Perhaps my insufficient contact with the spiritual energy of the universe inclines me to be uncharitable, but Lerner seems in this instance to be a pretentious busybody.

Since businesses aim at profit, consumers in effect cast "dollar votes" for the products they want.

Lerner further claims that "a product that pours carcinogens into the air" will continue to be produced, even though the majority wishes to stop it, so long as some find it a source of profit. But if the emission is serious enough to be invasive of rights, why would its production be allowed in a free-market society?

When Lerner informs us that economists call "such issues as environmental consequences 'externalities,' and recognize that the market has no mechanism for dealing with them" (p. 133), one can only be astonished that even Lerner can be so ignorant. Why didn't his friends among Marxist economists, such as Herbert Gintis (p. x), inform him that market mechanisms to cope with externalities have been widely canvassed in the literature? I could easily go on, but I'm afraid that I've had it with this book. Three hundred pages of buffoonery is too much. ❖

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How High the Court?

JUDICIAL DICTATORSHIP
William J. Quirk and
R. Randall Bridwell
Transaction Publishers, 1995. xv + 143 pgs.

Everyone talks about the Supreme Court, but no one ever does anything about it. Many Supreme Court decisions have aroused fierce controversy within the past fifty years: *Brown* v. *Board of Education* and *Roe* v. *Wade* are the most obvious examples. Often, these decisions lack majority support: but they are the "law of the land," after all.

For many conservatives, the problem with the Supreme Court lies in its loose construction of the Constitution. Instead of interpreting the Constitution as originally intended by its Framers, the Warren Court and its successors, it is alleged, discover their own political agendas ready-made there. A return to "strict construction" offers the only hope for a restoration of sound government.

Judicial Dictatorship is a radical book in the best sense: it compels readers to rethink their most basic assumptions about the Court. For Quirk and Bridwell, the problem lies not with the way the Court has interpreted the Constitution: rather, they question the entire institution of judicial review.[1] Contrary to nearly all other scholars, they hold that the Supreme Court should *not* be the ultimate arbiter of the Constitution.

In their view, America is a democracy, and judicial supremacy cannot be consistently combined with popular rule. "The judiciary, led by the Supreme Court, is in the vanguard of the elite imposing nonmajority values and policies on the country. They are, as Jefferson said, the 'miners and sappers' of democracy.

"The traditional view was that the separation of powers made the legislature and executive responsible for change and the Court the guardian of continuity and stability. The Court, however, over the past thirty years, has made itself the major agent for change—one that operates without democratic check to accomplish ends that could not be achieved by democratic process" (p. xv).

The reply to this is obvious. Defenders of the Court will say that America is not an unlimited democracy, but instead a democracy restricted by a written constitution. The function of the courts, culminating in the Supreme Court, is to interpret and apply the law. Since the Constitution is "the supreme law of the land," its provisions take

[1]When the authors criticize judicial review, I am sometimes uncertain whether they object to the power of the Supreme Court to rule laws unconstitutional or only to the requirement that other branches of the government accept the Court's judgment as binding. I think they object not only to the latter, "judicial supremacy," but also to "judicial review" in the former, narrower, sense as well. Since their arguments apply to both senses of judicial review, I haven't attempted here to determine their thesis more exactly.

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precedence over acts of Congress. If there is a conflict between the two, it is the duty of the Court to declare the Congressional enactment unconstitutional. All the more so, then, does the Court have similar powers over state legislatures.

If Jefferson rejected judicial review, it cannot be taken as an entrenched practice not subject to challenge today.

Quirk and Bridwell do not deny that we are governed by a written constitution (although they sometimes suggest that, without frequent revisions, we shouldn't be). They instead challenge the inference from written constitution to judicial review. They rightly note that they are not the only scholars to challenge judicial review. "Historically, the members of the resistance are an impressive group" (p. xii; I would add to the books they list on p. xiii the important but neglected work of L. Brent Bozell, *The Warren Revolution*). Nevertheless, one can only repeat that in contemporary scholarship, their position is one of stunning audacity.

Before confronting their arguments, a preliminary issue requires consideration. Why not try strict construction? It seems a much less extreme remedy for judicial usurpation than the radical surgery our authors propose. Why not, with most contemporary conservatives, adopt it?

Quirk and Bridwell interpose an objection. "As John C. Calhoun pointed out, 'strict construction' is a 'phantom,' a thing 'good in the abstract, but in practice not worth a farthing.' Everybody is for strict construction 'but in fact, it will ever be found to be the construction of the permanent minority against the permanent majority, and of course of itself valueless'" (p. 34).

Calhoun's argument strikes me as not conclusive. His reasoning, if I have understood him, is this: (1) Everyone claims to be a strict constructionist; (2) Therefore, the concept "strict construction" is useless. It is not at once apparent how (2) is supposed to follow from (1). Let us look at an analogous argument: (1) Practically everyone claims to be a good person; (2) Therefore, the concept "good" is useless. I hardly think this is a sound argument for the view that goodness has no objective criteria.

But of course, even if strict construction is a usable concept (and I have certainly not shown that it is), this does not refute the authors' case against judicial supremacy. This case has two main components: first, judicial review has been challenged by American statesmen of unquestioned standing, in particular Thomas Jefferson; and second, judicial review is not needed to protect the rights of minorities. Both arguments, but especially the first, seem to me strong ones.

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The authors show conclusively, through a detailed study of his correspondence, that Jefferson rejected judicial supremacy. Thus, in a letter to William Jarvis in 1820, Jefferson wrote: "It is a very dangerous doctrine to consider the judges as the ultimate arbiters of all constitutional questions. It is one which would place us under the despotism of an oligarchy" (p. 3). On an earlier occasion, he wrote in 1810 that judicial review allows for a Supreme Court "which from the citadel of the law can turn its guns on those they were meant to defend" (p. 3).

What if sovereignty resides neither in a body of Platonic Guardians, nor in the people taken collectively, but rather in individuals considered separately?

Of course, Jefferson's holding this opinion does not make it true. But this is not the authors' point. Rather, their contention is that if so eminent a statesman as Jefferson rejected judicial review, it cannot be taken as an entrenched practice not subject to challenge today.

And Jefferson was not the only eminent figure to reject judicial review. The authors note that on one occasion John Marshall himself was willing to abandon judicial supremacy. "While the trial [of Justice Chase] was going on, John Marshall, who thought he might be next, offered the surprising compromise that Congress be authorized to override the Court rather than remove the judges" (p. 55). (It has, however, sometimes been contended that Marshall, in the letter to Chase which they quote, spoke ironically.)

But, it will be said, even if there is historical backing for the authors' case, do we not need judicial review as a way to protect the rights of minorities? Suppose that Congress abolished the Bill of Rights, or enacted a law that all redheads be drowned at birth. Should the Supreme Court stand idly by?

Quirk and Bridwell do not deny that a majority can act badly. But why rest the rights of minorities in the hands of a tribunal of Platonic Guardians, assumed to be superior in wisdom to the people? If the majority of the people cannot be trusted to act in a manner that respects rights, why assume that the Supreme Court can or will?

To Quirk and Bridwell, the Constitution is a voluntary self-limitation of the sovereign people. It is not a set of limits to be imposed on the people, or their representatives in Congress, by a body that presumes to stand apart from the popular will.

This is indeed an intriguing and forceful argument. Yet it seems to me to have neglected an alternative. What if sovereignty resides neither in a body of Platonic Guardians, nor

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in the people taken collectively, but rather in individuals considered separately? If the latter position (which I think the correct one) is adopted, does this allow a larger role for independent courts than our authors are willing to countenance?

Quirk and Bridwell have, in sum, written an insightful and provocative book that every student of American constitutional law needs to study carefully. When one contemplates the manifold unconstitutional acts of the Supreme Court, there is a strong temptation to say, with Voltaire, "Ecrasez l'infâme." ❖

One Man, One Creed

THE AFFIRMATIVE ACTION FRAUD
Clint Bolick
Cato Institute, 1996, x + 170 pgs.

Clint Bolick, it appears, does not suffer from the vice of false modesty. Mr. Bolick attracted considerable attention owing to his opposition to Lani Guinier's nomination as Assistant Attorney General for Civil Rights; his relentless campaign against her support for proportional representation helped lead Clinton to withdraw her nomination.

Writing of his battle, Bolick observes: "Lani Guinier and I have some important things in common. Both of us . . . have toiled productively in the vineyards of public interest litigation. We both have spent most of our legal careers representing powerless minority individuals, and derive enormous personal fulfillment and inspiration from helping set matters right. Perhaps most significantly, we care greatly about ideas, and understand that in today's society lawyers armed with the right ideas have the power to change the world" (p. 90).

Should we join Mr. Bolick in his celebration of himself? At first, those drawn to a classical liberal perspective may be inclined to do so. He comes before us as a vigorous defender of individual rights—for Bolick, as for Albert J. Nock, the state is the enemy. Accordingly, he mounts a forceful attack on affirmative action in education and employment, and on what he terms "racial gerrymandering." These programs, aimed to advance the interests of groups judged disadvantaged, ride roughshod over individual rights.

Given the vigor of Mr. Bolick's defense of the individual, the temptation is strong to greet this book with applause. But it is a temptation that should be resisted. Bolick's argument rests on radically confused views about history and society; many of his proposals would, if applied, undermine the free society for which he professes admiration.

According to our author, "the civil rights vision constructed on the principles of natural rights was incorporated into the nation's founding

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charters" (p. 27). In the classical liberal view, as stated by John Locke and Thomas Paine, rights are held by individuals equally under the law and are universal in scope. This conception of rights, Bolick holds, found expression in the Declaration of Independence and the Constitution.

But all was not well. The "same Constitution that served as a charter of civil rights also embodied a blatant nullification of civil rights: the institution of human slavery" (p. 28). Much of early American history embodies a "conflict between ideals and practices" (p. 28). The abolitionists took up the struggle for liberty, culminating in the founding of the Republican Party and the election of Abraham Lincoln in 1860. Faced with the abolitionists, Bolick cannot contain himself; it is unlikely that Charles Sumner has been so enthusiastically praised since Longfellow's celebratory poem.

But at this point, the fundamental flaw in Bolick's account stands apparent. His contention may be summarized in this way: (1) the Constitution and Declaration of Independence rest on natural rights; (2) Slavery contradicts individual rights; (3) Therefore, the 'fundamental charters' betray the principles to which they proclaim allegiance. But why not read the second premise as a reason to question the first? Why not, that is to say, hold that the "fundamental charters" do *not* incorporate natural rights in the sense defended by Bolick?

In this way, one can avoid asserting that the Founding Fathers were blatant hypocrites who called for universal liberty while at the same time cementing slavery firmly in place. This was exactly a key point raised by Chief Justice Taney, in his much maligned opinion in *Dred Scott*. (For Bolick, Taney's decision is "infamous" [p. 30].)

But here an objection at once demands consideration. Is not Bolick perfectly correct that slavery violates individual rights, understood in a classical liberal fashion? If so, surely those of libertarian bent must support Bolick over Taney. But here precisely lies the fundamental failing of Bolick's analysis. Principles of morality cannot be read into the Constitution at will.

Bolick has jumped from his own adherence to natural rights, and the undoubted fact that many of the Framers were influenced by classical liberal views, to the false claim that his ideology is incorporated as an "ideal" in the Constitution. In so doing he discovers a "contradiction" in that document that is in fact of his own devising.

Much sounder in this respect (though in few others) were some of the abolitionists whom Bolick admires. He quotes William Lloyd Garrison at length (p. 29); but he neglects to inform his readers that Garrison strongly opposed the Constitution. Unlike Garrison and his ilk, the Framers realized that the dictates of a philosophical system and the exigencies of a legal order are two very different things. They did not propose as fundamental law measures, such as the abolition of

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slavery, which had not the remotest chance of adoption.

But if the Constitution does not enact classical liberalism, what are libertarians to do? Must they not, with Garrison, cast that document aside? I do not think so. The federal system of the Constitution serves to promote classical liberal policy far better than would a centralized authority, even one that proposed complete adherence to individual rights. Such at least was the opinion of our country's founders.

Bolick himself admits that many of the civil rights measures of the glorious '50s and '60s do not fully conform to the Creed.

Mr. Bolick of course dissents. He supports fully the efforts of the Radical Republicans after the Civil War to overthrow the federal system. Since the Southern states violated the natural rights doctrine that Bolick accepts, away with their powers! He especially admires the Fourteenth Amendment: "The amendment was aimed at restricting the power of state governments, which were the principal violators of civil rights" (p. 32). If the federal system had to go in order to promote "civil rights," so be it: "never before or since has a Congress been so motivated by philosophical absolutes" (p. 31).

Unfortunately, the Supreme Court frustrated the Radicals' plan, as Bolick views it, to make Thomas Paine's collected works the law of the land. In the *Slaughter House Cases* (1872), the Court rejected the use of the "privileges and immunities" clause of the Fourteenth Amendment to undermine state sovereignty; and in *Plessy* v. *Ferguson*, it upheld racial segregation in railroads.

The first decision especially enrages our author. The power of the central government to annul "oppressive" state laws must be maintained. "A central mission of the Institute for Justice [Bolick's organization] is to overturn the *Slaughter House Cases*" (p. 148, n. 26). As a result of these decisions, the Radicals' plan appeared to be thwarted.

But the battle was not over. A civil rights movement arose which brought pressure to bear to remove the legal disabilities suffered by blacks. And this movement stood firmly committed to exactly the individualist rights that Bolick advocates. The modern civil rights movement "did not question American values and principles, but embraced them" (p. 35).

After a mighty struggle, the individualist vision of Paine appeared poised to triumph. *Brown* v. *Board of Education* ruled school segregation illegal; the Civil Rights Act of 1964 forbade racial discrimination in public accommodations; and the Voting Rights Act of 1965 effectively

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secured for blacks the unimpeded exercise of the right to vote.

Alas, our story has a sad ending. For Martin Luther King, "the Declaration of Independence was the highest expression of the civil rights vision"; but despite the "clear articulation" of "classical rights, the movement during the 1960s subtly embraced a change in goals" (p. 37). No longer were individual rights the sole aim; now government could be used to restrict freedom of association. And worse was to come. Affirmative action has become the order of the day, and the individualist vision is no more. Now, minorities struggle as groups for special privileges.

Mr. Bolick's account of the civil rights movement falls victim to the identical fallacy that ruins his account of the Constitution. He attributes his own philosophical dogmas to the civil rights movement; when its adherents fail to act as Bolick wishes, he accuses them of betraying the principles that he himself has foisted on them.

If Bolick's account were correct, we would confront an incredible situation. As he sees matters, the civil rights movement "anchored its cause firmly" (p. 35) in the American Creed, a phrase Gunnar Myrdal used for the commitment of the American people to individual rights. But if Americans were overwhelmingly committed to the American Creed, how did we get legal segregation in the first place? "Everyone" accepted a Creed that, according to Bolick, calls for equal rights for all; yet segregation somehow was widespread. Perhaps the American Creed, in the Revised Standard Bolick Version, was confined to rather fewer people than he imagines.

Bolick himself admits that many of the civil rights measures of the glorious '50s and '60s do not fully conform to the Creed. As Bolick rightly notes, the Supreme Court in *Brown* v. *Board of Education* did *not* decide the case "on the right of black school children to be treated as individuals and not segregated on the basis of their skin color" (p. 72). Instead, it relied on sociological speculation. Further, the centerpiece of the movement, the 1964 Act, restricts freedom of association in a way sharply at variance with Bolick's reading of the Creed. Neither the Court nor the Congress, then, can be listed as adherents.

And is it plausible to take the civil rights activists as sudden betrayers of views they had long professed? Did adherence to the Declaration of Independence suddenly give way to demands for quotas, as Bolick thinks?

A more plausible interpretation suggests itself. What if the civil rights movement aimed, not to enact a philosophical creed, but to help blacks? When the laws of the 1960s failed fully to secure for blacks the improvements in condition the movement sought, a shift took place to other means to achieve them. If Bolick deplores these measures, so be it; but that is his affair, not a sudden abandonment of

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principle by the civil rights movement.

Bolick's inability to see any point to views that counter his own individualism prevents him from understanding the shift in the civil rights movement. On the interpretation I have suggested, the civil rights movement wished to advance the interests of blacks. So ordinary an objective is for Bolick beyond the pale: he wants to live in a color-blind society in which individuals do not take their race as primary. "Blacks and whites too often see the world through race-tinted prisms of divergent experiences, and think of themselves not as individuals but as members of groups" (p. 10).

Bolick is right to criticize public schools; but state grants for fees to private schools are hardly the free market in action.

Why *should* people view their world in a color-blind way? Because doing so is mandated by the American Creed? This is a matter on which Bolick can speak with authority: it is his Creed. But he should not indict people for inconsistency because they do not follow his own philosophy.

I fear there is one final complication. Does Bolick fully adhere to classical liberalism? In at least two places he does not. He rightly notes that every "restraint against discrimination interferes with freedom of association and reduces the choices individuals otherwise are free to make" (p. 41). That is well said; and the 1964 Civil Rights Act, as he also notes, does exactly that. But he by no means condemns the Act. Its grant of power to the central government to block discrimination by the states is in his view all to the good. He seems on balance to support the Act, although his discussion lacks his normal tone of absolute conviction (p. 42).

Another instance leaves no room for doubt that Bolick's classical liberalism is not absolute. He endorses a Wisconsin school choice plan in which low-income children can "apply the state portion of their education funds . . . as full payment of tuition in nonsectarian private schools" (p. 140). Mr. Bolick is right to criticize public schools; but state grants for fees to private schools is hardly the free market in action.

Bolick's support for "school choice" reflects a touching but naive faith in the power of education to "empower" minorities. Successful people tend to be better educated than those who fare less well; therefore, educate people and they will succeed. This of course does not follow; but Mr. Bolick is not one to require proof for an article of his Creed. To stop to consider the connection between education and success can only prevent full application to the task at hand. Education aids empowerment; let us proceed with it. The Creed has spoken. ❖

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What Remains of Socialism?

THE PHILOSOPHY AND ECONOMICS OF MARKET SOCIALISM: A CRITICAL STUDY
N. Scott Arnold
Oxford University Press, 1994, xiv + 301 pgs.

N. Scott Arnold's outstanding book makes a vital contribution to the debate over socialism; but Arnold has in part misconceived his own achievement. Since the collapse of socialism in the Soviet bloc, the world has had to recognize a fact long known to students of Mises. Centrally planned socialism is not, as its proponents imagined, a system vastly more efficient than the "anarchy of the market." Far from it: socialism cannot solve the calculation problem and thus cannot function at all.

Absent a price system, socialist planners cannot determine which resources should be directed to the consumer goods they wish to produce. Faced with the collapse of their dream, what can socialists do? Oskar Lange offered the most popular socialist response: why not a socialist system that uses market pricing? The schemes that have drawn inspiration from Lange's idea have been many and various; but the main instance Arnold wishes to investigate may be simply described. (Incidentally, Lange was not, as Arnold states, Mises's first opponent in the calculation debate [p. 39].)

The type of socialism Arnold considers relies heavily on workers' cooperatives. Firms are not owned by capitalists—these the socialist regime has banished to outer darkness—but by the workers who labor in them. But like capitalist firms, cooperatives buy and sell on a free market: no central authority directs them to set certain prices. The state does not remain totally idle: its policies largely determine the rate of investment. With this plan, market socialists hope, the advantages of socialism can be retained and the problem posed by Mises avoided.

What is one to think of this system? Arnold establishes, with immense skill at careful argument, that market socialism is far inferior in economic efficiency to the free enterprise system. But he thinks that he is doing something else as well. I propose first to describe the main lines of Arnold's criticism of market socialism and then to explain how he misconceives his own project.

Our author has seized hold of a key point in his assessment of market socialism. In order to function, a market socialist system cannot allow capitalist enterprises in any significant number to exist. Put otherwise, market socialism can be seen as a list of prohibitions: it forbids certain "capitalist acts between consenting adults," in Robert Nozick's famous phrase. By contrast, a free enterprise economy does not forbid workers' cooperatives: they, just as

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much as firms owned by capitalist entrepreneurs, stand free to face the test of market competition.

Does it reduce economic efficiency to ban capitalist firms? If it does, the market socialist system collapses, if judged on economic grounds. And just what Arnold shows is that market socialism drastically interferes with rational conduct of the economy. In doing so, Arnold relies heavily on the "new institutional economics" of the Berkeley economist Oliver Williamson.

Arnold uses pioneering work by Armen Alchian to show that the working arrangements of capitalism make eminent good sense.

To show the superior efficiency of free enterprise a simple argument appears to suffice. In a capitalist economy, as we have said, people are free to form workers' cooperatives as they wish. If, then, such cooperatives promoted efficiency, why would they not supplant capitalist firms through the force of competition? If market socialists correctly judge the benefits of their system, efforts to establish it appear unnecessary: the market will accomplish the task by itself. If, on the contrary, capitalist institutions flourish in a free economy while cooperatives occupy only a minor role, is this not *prima facie* evidence that market socialism fails to work? Legislation to establish market socialism is either unnecessary or harmful.

This argument, which threatens to undermine market socialism with one blow, applies the "evolutionary hypothesis" used by the new institutionalists. On this view, the very existence of an institution on the free market provides evidence of its superior efficiency. Were it not efficient, why would it exist? Though this argument impresses me as a strong one, Arnold does not make use of it. He essays a more difficult task: he endeavors to show in detail the superior economic efficiency of capitalist institutions.

Under capitalism, workers characteristically do not own the firms in which they work. Why do workers consent to such arrangements? Surely workers wish to control their own labor; if they do not do so, have they not been forced by the imperatives of the system to work for others? Arnold uses pioneering work by the economist Armen Alchian to show that the working arrangements of capitalism make eminent good sense.

In "team production," in which workers must coordinate their activities on a joint endeavor, a tendency is present for each individual to shirk. Why not, to the extent that one can get away with it, turn to other things and let one's fellow

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workers bear the brunt of the task? To deter this, monitoring is necessary. And the question at once arises: what form of monitoring is most efficient? Alchian gave strong reason to think that monitoring works better if the monitor has interests independent from those of the workers. From the workers' own viewpoint, it makes sense for them to hire themselves out rather than to manage their own work. They are likely to be more productive, and hence earn more money, if they do so.

But what of the competing Marxist claim that workers labor for capitalists because they are forced to do so? Arnold deals in an especially effective way with one variant of this claim. Sometimes, it is contended, workers are forced into capitalist employment because they lack bargaining power. If they do not accept the jobs offered to them, they face starvation. The capitalist, by contrast, can readily find a replacement for those who find his terms not to their liking. Arnold responds: "The problem with this is that as an explanation, it is a non-starter; it simply restates the allegation to be proved" (p. 156).

To return to Arnold's use of the new institutional economics, the institutions of capitalism can quite readily be shown to make sense from an economic point of view. In particular, Arnold shows that the two forms of organization most characteristic of a free enterprise economy, the classical capitalist firm and the open corporation, have strong advantages over workers' cooperatives.

It is here that Arnold relies most heavily on the work of Williamson. The Berkeley economist places great stress on what he terms "asset specificity." This inelegant phrase designates an inescapable fact: many assets are tied to very specific uses, and lose much of their value in alternative employment. The skill of a champion baseball pitcher may be worth millions; in its next most valuable use, the player's athletic ability might gain him next to nothing. Given asset specificity, it is important for market participants to build close relations with particular suppliers and consumers; they become tied-in to firms whose production is exactly suited to their needs.

I admire Arnold's ingenuity, but I cannot see that his notion of unfair exchange has the slightest moral significance.

But this raises a further problem. If two firms become closely tied together through repeated transactions, what are they to do should they arrive at an unexpected situation that neither contemplated? No contract can anticipate all contingencies, since human beings have only "bounded" or limited rationality. The chief theme of Williamson's career has been to discover how institutions are shaped to cope with the situation just described.

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Arnold's application of Williamson's analysis proceeds in intricate detail, but his results admit of little doubt. The classic capitalist firm, in which one person owns the business and directs production, efficiently deals with the problems to which Williamson calls attention. The open corporation, though it separates ownership from control of production, preserves many of the efficiency advantages of the classical firm. In addition, it enables vast sums of money for investment to be raised.

Arnold's discussion is a first-rate achievement. He has provided the best and most carefully worked out account of market socialism that I have read.

I fear that my account of Arnold's book has so far been misleading. I have presented matters as if his principal contention was this: capitalist firms are much more efficient than workers' cooperatives; thus market socialism is not a viable alternative to the free enterprise system. I shall not conceal my belief that it would have been better had Arnold offered his results in just this way.

But he does not. Arnold is a philosopher, not an economist; and what principally concerns him is the justice of free enterprise and market socialism. More specifically, he concentrates on the Marxist claim that under capitalism, workers are exploited. Using his efficiency results, he turns the tables on the socialists: it is socialism, not capitalism, that exploits workers.

Arnold at first crisply disposes of the Marxist charge of exploitation. The Marxist contention rests on the labor theory of value, and "[t]he fatal flaw in this account is that the labor theory of value is not true" (p. 58). But the failure of the Marxist claim should not, Arnold thinks, lead us to cast exploitation entirely aside.

Economic value, as economists now see it, is a subjective affair; but it does not follow from this that it is senseless to say that someone does not receive the value of his services. To receive less than one is worth is to be subject to exploitation; and Arnold thinks he has an account of this fully consistent with the modern understanding of value. An advantage of his analysis is that it applies generally to any transaction: exploitation is not confined to relations between employers and workers.

Put briefly, the "value of something" is "what it would fetch in an ideal market" (p. 72). If something exchanges at its value, the exchange is fair. (Arnold's account does not require that a fair exchange take place in an ideal market: the requirement for fairness is that the price be the same as what would be

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obtained there.) If this condition is not met, the exchange is unfair, but this does not suffice for exploitation. The victim of the unfair exchange must have no better alternative available to him; if he can secure his value in another exchange, he is not exploited. (I have here simplified a rather involved definition that Arnold presents on p. 86.)

I admire the ingenuity and care with which Arnold develops his definition; but I cannot see that his notion of unfair exchange has the slightest moral significance. Why has someone any cause for complaint at all if the price he receives differs from that found under conditions of an ideal market? (By "ideal market" Arnold means, roughly, a perfectly competitive market.) Why should one call the perfectly competitive price a good's value? Prices are determined by values, but are not values themselves. Contrary to Arnold, the subjective theory of value does indeed render senseless the notion of someone's failing to receive the value of his services in a free exchange.

Arnold's rejoinder is obvious. Are we to rule out, by a stroke of the pen, exploitation in the free market? Surely an argument from definition will avail little in a clash with market critics. But I have not ruled out exploitation by definition. It does not follow from the fact that exploitation cannot be defined in terms of the subjective theory of value that no account of exploitation is legitimate. All that follows is that the theory of value is the wrong place to look for one.

If Arnold's account of economic exploitation were correct, he would indeed have contributed in a major way to the dispute over the justice of capitalism and socialism. Since exploitation, in his analysis, depends on deviations from competitive market prices, his demonstration of the superior efficiency of capitalism at once has an important consequence. Because market socialism is less efficient than capitalism, the conditions for exploitation are more readily met in the former system. But, once more, I am not sure why this matters, where justice is concerned.

Even if this criticism is correct, Arnold's discussion is a first-rate achievement. He has provided the best and most carefully worked out account of market socialism that I have read. His book is a model of how philosophers can use economic theory in their work—and in this department there can be no doubt of Arnold's efficiency. As if this were not enough, the book contains a superb assortment of sarcastic remarks about lawyers. ❖

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No Wiser With Age

THE GOOD SOCIETY:
THE HUMANE AGENDA
John Kenneth Galbraith
Houghton Mifflin Company, 1996,
vii + 152 pgs.

John Kenneth Galbraith has been writing about economics for over fifty years, with considerable elegance but with little grasp of sound theory. In *The Good Society*, published as Galbraith approaches his ninetieth year, there are a few signs that our author has at last mastered some economics. Unfortunately, the habits of a lifetime are hard to break; and in the end it is the familiar statist who shines through.

But one should not look a gift horse in the mouth. Before having to confront, for the twentieth (or is it thirtieth?) time, Galbraith's standard fallacies, let us savor his newfound wisdom. Near the beginning of the book, the astonished reader encounters this: "An evident purpose of the good economy is to produce goods and render services effectively"; "there can be no question" that the market "does produce consumer goods and services in a competent, even lavish fashion." It "defies all sense" to say the market "should somehow be taken over by the state; to suggest socialism in either consumer or capital goods "verges on the fanciful" (p. 15). Ludwig von Mises himself could not have put it better.

A conventional leftist complaint against the free market is that the system falls prey to domination by monopolies. Galbraith will have none of this (though he has complaints of his own against corporations): "Monopoly power-exploitation of the consumer by prices unrestrained by competition . . . has surrendered to international competition and also to explosive technological change. Today's eminence and economic influence are tomorrow's obsolescence" (p. 16).

Galbraith also rejects the familiar complaint that multinational corporations dominate foreign policy: "The political power and influence of the transnational corporation and of those associated generally with foreign investment were greatly overestimated. They derived from the mystique of capitalism, not from its reality" (p. 26).

But I have saved the best for last. Galbraith has a well-developed reputation as an extreme Keynesian. Continual government spending is for him the order of the day. How astonishing, then, that he actually warns against inflation: "Future security in life is based normally on the assumption of stable or reasonably stable prices." The "good society therefore must honor the expectation of reasonable price stability" (p. 31). It is Galbraith's closest approach to support for sound money. He does not bother to inform his readers that he here dissents from Keynes, who called for just the euthanasia of the rentier class that Galbraith says he opposes.

But *The Wisdom of J. K. Galbraith* is

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a very short book. Galbraith is unable to sustain the insight displayed in the remarks just quoted; the senility of youth keeps crowding out the wisdom of old age. Although he at times recognizes the value of the free market, he constantly calls for its regulation and suppression.

Although Galbraith at times recognizes the value of the free market, he constantly calls for its regulation and suppression.

For Galbraith, not unreasonably, the problems of poverty and unemployment can be solved only through economic growth. This depends, in elementary Keynesian fashion, on maintaining aggregate demand at a sufficiently high level. This decidedly does not mean that the government should cut taxes in a recession, in order to stimulate business investment. "Here again the hope is at odds with the reality; there is no certainty that the funds released by tax reduction will be invested or spent. In hard times people and firms so benefited may well choose to hold on to their money" (p. 39).

To this there is a familiar Austrian response. Economic development depends, not on aggregate demand, but on the adjustment of relative prices so that markets clear. In particular, unemployment can be avoided, even in a depression, if real wages fall sufficiently. One thinks in this connection of W.H. Hutt's profound, though dense, *Keynesianism: Retrospect and Prospect* (1963). And, of course, to the Austrian analysis just sketched, there are in turn Keynesian attempts at response. But to expect Galbraith to enter into this dialectic is futile: for him, economic theories are not arrived at through reasoned argument. They are obtained through a revelatory process the workings of which Galbraith keeps to himself.

He deals with dissent from his views in a manner like that of Thornstein Veblen, whom he resembles both in doctrine and ironic style. He identifies an economic interest that the criticism serves: this evidently passes for refutation. Thus, in response to calls for a tax cut, he states: a "disturbing part of the support for tax reduction as an antidote to economic stagnation and unemployment comes from those whose tax burden would thus be eased" (p. 39).

Galbraith is perfectly right. People who would benefit from a tax cut are likely to call for one. But does this show their views incorrect? I should have thought that the genetic fallacy, the confusion of an account of a belief's origin with the grounds for its validity, was one of the most familiar pitfalls in social science. But evidently this *pons asinorum* proved too much for our Harvard eminence.

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We have however left a mystery unsettled. If tax cuts will not secure the necessary rise in effective demand, where may we find salvation? The answer should elicit no gasps of surprise: "As a way to stimulate demand in time of negative growth or stagnation, there remains only direct and active intervention by the state to create employment" (p. 39). Here then is Galbraith's logic: The free market "lavishly" produces consumer goods and socialism cannot accomplish this. Therefore, in case of trouble, we must turn from businessmen, who are capable of efficient production, to government, which is not. One would have to go to the doctors of Molière's *Imaginary Invalid* to equal this diagnosis.

The "One-Worlder" is not a right-wing caricature; in the person of Galbraith, he actually exists.

However deficient as analysis, Galbraith's remarks introduce a fundamental theme of his economics: taxes, especially on the rich, should never go down. As we have seen, they must not be lowered if the economy falters. But things do not change in better times: "When the economy recovers and public revenues rise, there must then be the discipline that brings stimulative expenditure to an end. Taxes must be kept at previous levels or increased as a counter to speculative excess" (p. 40). Whatever the illness, our doctor prescribes the same medicine.

Two reasons underlie Galbraith's demand for high taxes, neither of which does him credit. Though he recognizes the market's efficiency, he nevertheless dislikes it: he does not want people to have "too many" consumer goods. How much is too much? Of course he will be the judge of that. In reply to the contention that deficit finance (which he fervently supports) crowds out private investments, Galbraith remarks: "The argument opposes private investment for however frivolous the consumer product or service against public investment of whatever social urgency" (p. 58).

People, then, in their private capacity do not know what is good for them. And the rich must especially be targeted for taxation. Income and wealth are grossly unequal, and heavy progressive taxation must be instituted to mitigate this evil. Why equality is morally required Professor Galbraith thinks unnecessary to discuss. Only those with an interested motive could question his wisdom.

Our author is less reticent when addressing the claim that progressive taxation reduces incentives. First, the accusation of bad motives: "Nothing else" than a progressive tax "is subject to such highly motivated and wholly predictable attack" (p. 65). Next, he adduces a bad argument: "it could be claimed with equal improbability that a strongly

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Galbraith predicted the convergence of the U.S. and Soviet economies, but a minor matter like a poor track record cannot shake his conviction.

progressive income tax causes the rich and the affluent to work harder, more imaginatively, in order to sustain their after-tax income" (p. 5).

The need to weigh incentives against the "income effect," to which Galbraith here refers, has of course generated a vast literature. Galbraith finds it unnecessary to address any of this. Instead, he acts as if the mere mention of the income effect suffices to eliminate altogether the problem of incentives. And, having accomplished its mission, the effect dissolves: it is "equally improbable."

Galbraith is not yet satisfied. What we have so far described is a program for a governmentally directed *national* economy. But as Mises long ago pointed out, international currency flows impede the planners from carrying out their goals. Galbraith has the answer: "Among the advanced countries there must now be effective international coordination of social and economic policies. This begins with fiscal and monetary action." "No single country can act effectively and alone." There must "be coordination of national social policies" (p. 118). We see here a perfect illustration of Mises's point that the failures of intervention generate demands for more intervention.

And yet more awaits us. The nation itself must be abolished. "The economic and social responsibilities of the nation-state are a transitional phase. The ultimate goal is a transnational authority with the subsidiary powers, not excluding the raising and expending of revenue, that go with it" (p. 118). The "One-Worlder" is not a right-wing caricature; in the person of Galbraith, he actually exists. No doubt for him the spirit of Yalta evokes a pleasant glow.

A world government of the sort envisioned by Galbraith would have much more than economic functions. There are liable to be frequent breakdowns of law and order in the "poor lands." Military intervention, under the control of the United Nations, provides the remedy. "Dispatch of the requisite police *cum* military personnel must be a general and accepted obligation" (p. 135). The reluctance of Americans to risk the lives of our soldiers abroad cannot be tolerated. One, two, three, many Bosnias!

And what if you are so benighted as to oppose these imperialist crusades? Galbraith has a conclusive argument in their support: the inevitable trend of history requires them. It was not so long ago that Galbraith predicted the convergence of the U.S. and Soviet economies, but a minor matter like a poor track record cannot shake Galbraith's conviction that he possesses oracular powers. Age cannot wither him. ❖

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